

Message Text

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INFO AMCONSUL SAO PAULO

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SUBJECT: OPIC AGRIBUSINESS SURVEY - INTERNATIONAL MULTIFOOD CORP.

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1. SUMMARY --- EMBASSY QUESTIONS MERITS OF OPIC FINANCIAL SUPPORT OF MULTIFOOD FEASIBILITY STUDY IN AREAS OF BRAZIL --- SOUTH AND SOUTH EAST --- WHERE A LARGE NUMBER OF POULTRY FEED PRODUCERS ARE OPERATING IN WELL-ESTABLISHED MARKETS. EMBASSY BELIEVES THAT OPIC SUPPORT FOR FEASIBILITY STUDIES IN THIS SUBJECT SHOULD BE CONFINED TO LESS DEVELOPED AREAS OF BRAZIL, SUCH AS THE NORTH AND NORTH-EAST.END SUMMARY.

2. THIS MESSAGE IS BASED ON CONTRIBUTION BY CONGEN SAO PAULO, TOGETHER WITH ADDITIONAL EMBASSY COMMENTS.

3. THE CONSUMPTION OF POULTRY FEED IN BRAZIL IS AN AREA EXPERIENCING SUBSTANTIAL AND RAPID GROWTH. THERE ARE AT LEAST 20-25 PRODUCERS IN BRAZIL INCLUDING SEVERAL US COMPANIES (E.G., CARGILL, RALSTON PURINA, ANDERSON CLAYTON). AMONG FIRMS IN PARANA IS "RACOES ANHANGUERA" WHICH HAS MODERN AUTOMATED PLANT IN CURITIBA, RECENTLY OPENED A SECOND PLANT IN CAMPINAS AT REPORTED COST OF \$1 MILLION, AND MAINTAINS A RESEARCH STATION IN JARINU. CONGEN OFFICER UNCLASSIFIED

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RECENTLY VISITED THE CURITIBA PLANT. HE REPORTS IT IS

PRESENTLY WORKING AT FULL CAPACITY AND 80 PERCENT OF THE OUTPUT IS POULTRY FEED. HE WAS TOLD THAT THEY ARE NOT ABLE TO MEET PRESENT DEMAND. THEIR MARKET FORECAST IS FOR CONTINUED FURTHER EXPANSION IN CONSUMPTION OF FEED FOR SWINE AND POULTRY. THE RAW MATERIALS FOR ANIMAL FEEDS INCLUDE SOY, CORN, PEANUT OIL, AND VARIOUS VEGETABLE FATS -- ALL OF WHICH ARE AVAILABLE IN BRAZIL.

4. THE NEW STATE OF RIO OFFERS VERY PROMISING PROSPECTS AS A MARKET FOR BOTH POULTRY AND DAIRY MIXED FEEDS BECAUSE OF IMMEDIATE LARGE SCALE EXPANSION BEING ENCOURAGED BY THE STATE GOVERNMENT. HOWEVER, FOR THE IMMEDIATE FUTURE, THE SUPPLY OF RAW MATERIALS FOR FEED PRODUCTION IS EXPECTED TO BE TIGHT, EXCEPT FOR FISH MEAL. AS A RESULT OF THE NEGOTIATIONS HELD TWO WEEKS AGO BETWEEN EXECUTIVES OF THE AMERICAN SOYBEAN ASSOCIATION AND REPRESENTATIVES OF THE LARGE BRAZILIAN COOPERATIVES ENGAGED IN THE SALE OF SOYMEAL, A JOINT EFFORT WILL BE UNDERTAKEN TO PUSH BRAZILIAN-PRODUCED SOYMEAL IN THE DOMESTIC MARKET. MULTIFOOD SHOULD ALSO BE AWARE OF A NEW STATE DEVELOPMENT PLAN TO BE ANNOUNCED SHORTLY.

5 COMMENT --- EMBASSY UNDERSTANDS THAT RECENT OPIC GUIDELINES REQUIRE IT TO SEEK PIONEERING PROJECTS IN LESS DEVELOPED AREAS OF BRAZIL. PARANA IS A RELATIVELY RICH BRAZILIAN STATE. BOTH APARANA AND MINAS GERAIS HAVE WELL-BALANCED INVESTMENT PLANNING AGENCIES AND INDUSTRIAL DEVELOPMENT COMMISSIONS (E.G., INDI IN MINAS GERAIS) WHICH ALREADY HAVE CONSIDERABLE EXPERIENCE AND SUCCESS IN ASSISTING MAERICAN COMPANIES. IN VIEW OF THIS CONCENTRATION OF FIRMS IN THE SOUTHERN PART OF BRAZIL, OPIC WOULD BE MORE HELPFUL IN THE NORTH AND NORTH-EAST WHERE LOCAL GOVERNMENTAL ARE GENERALLY INTERESTED IN REDUCING IMPORTS FROM THE SOUTH.

6. RECOMMENDATION --- IN LIGHT OF FOREGOING, EMBASSY QUESTIONS DESIRABILITY OF OPIC INVOLVEMENT IN PROJECT ON TERMS NOW PROPOSED, I.E., A FEASIBILITY STUDY IN AN AREA OF BRAZIL IN WHICH A LARGE NUMBER OF PROFITABLE FIRMS ARE OPERATING AND THE MARKET FOR POULTRY FEED IS WELL ESTABLISHED. IN EMBASSY'S VIEW, OPIC SUPPORT OF FEASIBILITY UNCLASSIFIED

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STUDY FOR MULTIFOOD VENTURE SHOULD BE CONFINED TO LESS DEVELOPED AREAS OF BRAZIL, SUCH AS THE NORTH AND NORTH-EAST. WITH RESPECT TO JOINT VENTURE PARTNER, SUGGEST OPIC REFER MULTIFOOD TO DEPARTMENT OF COMMERCE WHICH OFFERS THIS SERVICE.
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